

State of Louisiana



M.J. "MIKE" FOSTER, JR.
GOVERNOR

JACK C. CALDWELL
SECRETARY

DEPARTMENT OF NATURAL RESOURCES

March 19, 1996



Mr. David Guzy
MMS Rules and Procedures
P. O. Box 25165
Mail Stop 3101
Denver, Colorado 80225

Dear Mr. Guzy:

The State Mineral Board adopted a resolution February 14, 1996 supporting the efforts by MMS to revise its Oil Valuation Regulations.

Attached you will find the Board's resolution.

Sincerely,

A handwritten signature in cursive script, reading "Gus Rodemacher".

Gus Rodemacher
Deputy Assistant Secretary

GR/rvv

Attachment

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RESOLUTION

On motion of Mr. Cascio, seconded by Ms. Isby, the following Resolution was offered and adopted:

WHEREAS the Minerals Management Service (MMS) has announced that it is considering amending its regulations regarding the valuation of crude oil produced from or allocated to federal and Indian leases and is currently seeking comments from interested parties on new methodologies to establish royalty value of oil produced from such leases, including comments on the use of "posted prices" as a means to value oil not sold under arm's length transactions; and

WHEREAS in the past, MMS has allowed posting to be used as a benchmark in non arm's length transactions, which in turn tended to allow integrated oil companies to sell oil to affiliated companies and value the transaction at posting, regardless of the true market value for the oil; and

WHEREAS federal regulations relating to the valuation of oil produced from such lands has a fiscal impact on the State of Louisiana, particularly the amount of royalties the State receives from Federal lands that lie within the State and lands lying within the "8G" zone; and

WHEREAS improved methods of establishing an accurate market value of oil produced from such lands are deemed by the Board to be desirable, beneficial, and advantageous to the State of Louisiana;

NOW THEREFORE, BE IT RESOLVED that the State Mineral Board by these presents does hereby express support for the efforts by the Mineral Management Service to revise its oil valuation regulations to place a more accurate value on oil produced from Federal lands, and authorizes the staff to submit written comments to the MMS regarding same.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary of the Department of Natural Resources, Deputy Assistant Secretary or Chief Landman of the Office of Mineral Resources be and he is hereby authorized to reflect the approval of the State Mineral Board by affixing his signature to the aforesaid instrument.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral Board held in the City of Baton Rouge, Louisiana, on the 14th day of February, 1996, pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.


State Mineral Board